



**REPORT OF THE
61ST ANNUAL AND SPECIAL
GENERAL MEETING OF SHAREHOLDERS
MONTREAL, QUEBEC**

26TH APRIL, 1967

COMINCO LTD.

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COMINCO LTD.

The following is a brief report prepared for the benefit of shareholders who were unable to attend the 61st Annual and Special General Meeting of shareholders held at Montreal on the 26th April, 1967.

The meeting convened at noon at the Head Office of the Company, 31st Floor, 630 Dorchester Boulevard West, Montreal.

Mr. W. S. Kirkpatrick, Chairman and Chief Executive Officer, presided and the Secretary-Treasurer of the Company acted as Secretary of the meeting.

The notice calling the meeting having been read by the Secretary, the Chairman advised that 13,208,525 shares were represented by proxy, being 79.2 per cent of the total shares outstanding.

On motion duly seconded and unanimously carried the Directors' Report and Financial Statements for the year ended 31st December, 1966, as mailed to all shareholders was approved and adopted.

Before proceeding to the election of Directors the Chairman advised that in accordance with Company policy two of the retiring Directors, Messrs. Gordon Farrell and L. J. Belnap, were not eligible for re-election. On behalf of the shareholders, Directors and Officers, he paid tribute to the long service and valuable contribution of these two gentlemen as Directors of the Company.

The following shareholders were then elected Directors of the Company for a term of two years:

W. J. Bennett

A. L. Bishop

N. R. Crump

R. Hendricks

D. R. McMaster

I. D. Sinclair

H. G. Welsford

Messrs. Thorne, Gunn, Helliwell and Christenson, Chartered Accountants of Vancouver, B.C., were appointed auditors for the ensuing year.

The repeal by the Directors at a meeting held on the 8th September, 1966 of the Company's general by-laws Nos. 1-50, inclusive, and of amending by-laws Nos. 52, 53 and 54, and the enactment of new general by-laws Nos. 1-50, inclusive, was sanctioned and confirmed.

During the question period the Chairman stated that while it was anticipated that sales of lead and zinc would continue at a very high level throughout the year, and although prices had remained stable during the first quarter, he saw little prospect of improvement in prices for the remainder of this year. With regard to the cost of reactivating the Pinchi Lake mercury mine, he stated that this would be a multi-million dollar project. In reply to a question regarding the ore reserves of the Sullivan mine, the Chairman stated that since the Sullivan has been in operation since 1909, naturally a great deal of exploration work has been done with the result that the ore body is more delimited than usual. However, ore reserves are still sufficient for very many years of operation.

At a meeting of the Board of Directors held immediately following the shareholders' meeting, Mr. W. S. Kirkpatrick was elected Chairman and Chief Executive Officer, Mr. R. Hendricks, President, Mr. N. R. Crump, Vice-President and Mr. R. D. Perry, Executive Vice-President.

The following were elected as the Executive Committee for the ensuing year:

G. H. Baillie
N. R. Crump
R. Hendricks

W. S. Kirkpatrick
R. D. Perry
R. E. Stavert

Resolutions sanctioning and confirming the arrangements to borrow \$40 million through the issue of promissory notes with a five year term were adopted unanimously.

**ADDRESS TO SHAREHOLDERS
AT THE ANNUAL MEETING IN MONTREAL
26TH APRIL, 1967**

by
**W. S. KIRKPATRICK
CHAIRMAN AND CHIEF EXECUTIVE OFFICER**

Copies of the 61st Annual Report of the Directors of your Company covering results for the last year were mailed to all shareholders on the 23rd March and are also available to all present here today.

1966 was a year of substantial achievement by the Company. More metal was mined and more chemicals and fertilizers produced than ever before. Both sales and capital expenditures reached an all-time record. Expenditures on exploration, research and development were also the highest in the Company's history. Many recently constructed operations were brought up to planned capacity and are now in routine operation. However, in spite of greater production and record sales, net earnings showed a moderate decrease compared to 1965 reversing the rising trend of the last five years. The decrease in earnings in 1966 was the result of many factors, amongst the more important of which has been a cyclical decline in world prices for lead and zinc due to the increasing supplies of these metals.

Another very important factor was the increase in unit costs which seriously outstripped gains in productivity. In 1966 government-adjudicated settlements in certain service industries and government-controlled organizations went far beyond what was reasonable for the maintenance of a practical relationship between remuneration and productivity. This set a regrettable pattern for other labour settlements which resulted in an unduly high wage structure for the present stage in Canada's economic advance. The problem of increasing costs throughout the Company relative to productivity is being given the most concerted attention by our staff at every level in the Company.

With regard to operations, the mined production of lead and zinc reached an all-time high of 545,000 tons in 1966, most of which was treated in the metallurgical facilities at Trail. This compares with 407,000 tons of lead and zinc mined in 1965 and 281,000 tons in 1964. Pine Point Mines Limited has, of course, been a major factor in this substantial increase. Overall mine production is scheduled to continue at present levels until 1968, at which time the known reserves of high grade shipping ore at Pine Point will be exhausted although reserves of milling ore are available at this mine for many years in the future. In order to maintain output in the event that no further high grade ore is discovered, the Pine Point mill is now being expanded by 3,000 tons per day. This represents an increase of about 60% in milling capacity.

In 1966 the Free World supply of lead and zinc was virtually in balance with demand but the prices of both metals, particularly lead, declined substantially during the year. In 1967 Free World consumption of lead and zinc is expected to continue at record levels despite the curtailment in U.S. automobile manufacture. On the supply side new production capacity and the anticipated releases from U.S. Government stockpiles are expected to result in a surplus. However production cuts, chiefly in zinc, by the major producers in North America and Europe, should alleviate this developing surplus situation. Since the beginning of 1967 lead and zinc prices have remained relatively constant and we see little prospect of improvement during the remainder of the year.

The new fertilizer plants at Trail and Calgary as well as the Nebraska plant which is owned and operated by Cominco American Incorporated are now in full operation. With these new facilities the total productive capacity for fertilizer of all grades now exceeds 1.2 million tons per annum. The quantity of fertilizer and chemical products sold by the Company in 1966 was a record high, in excess of one million tons.

Competition was keen in all of our market areas, particularly in Western Canada, and returns to the producer declined. The construction of new plants continues to add to the excess capacity which has existed in Western Canada for many years. Some of these new facilities have been established either as the result of incentives offered producers by Federal and Provincial Governments, or as the result of the unique competitive advantage enjoyed by co-operatives vis-a-vis their corporate competitors under the Federal Income Tax Act. In consequence, the economic factors which would normally regulate the balance of supply and demand have been distorted and an economic environment has been created which poses grave problems for the already established industry.

To maintain our fertilizer market position steps are being taken to strengthen our sales organization in Canada and in the United States. This involves further substantial outlays of capital for the construction and acquisition of storage, blending and distribution facilities in the field.

Technical leadership is being maintained in fertilizer production and marketing through a continuing development program, which has produced both new and improved products in response to the agronomic and physical requirements of the farming community. Market response to our new products has been excellent.

Very satisfactory progress has been made on our potash project in Saskatchewan and both shafts have now been sunk through the difficult Blairmore formation. Plant design is well advanced and construction activity on the main plant buildings is proceeding. This summer about

MAY 16 1967

1,000 men will be employed during the peak period of construction. Production is now forecast for early 1969 and marketing arrangements are progressing satisfactorily in the many countries which will be supplied with Cominco potash.

Before leaving operating matters I should say that, as the shareholders are probably aware, on April 11th the unionized employees of our subsidiary, West Kootenay Power and Light Company, Limited, went out on strike. This company operates the Cominco power plants under a management contract. So far service has been maintained by staff employees and there has been no interruption in Cominco operations and, at the present moment, there is no indication of settlement.

Over the past five years we have carried out a major diversification and expansion program which has required large fixed capital expenditures and substantial increases in inventories and accounts receivable. Present commitments involve the continuation of this high level of capital expenditures for at least the next two years. To temporarily augment our working capital we have just arranged to borrow \$40 million through promissory notes with a five year term.

You may recall that last year I referred to the reopening of the Pinchi Lake mercury mine which is located about 80 miles northwest of Prince George, British Columbia. This was postponed at that time largely because of the acute shortage of labour in the construction and mining industries in British Columbia. The labour situation has improved and the market outlook has become more stable. Accordingly we are now planning to reactivate this mine and production should commence about two years hence. Milling capacity will be 800 tons of ore per day and the operation will employ about 150 people. This is a reactivation of a former producer with considerable underground development and information on the mineralized occurrences. Accordingly the mining risk is warranted even if the Carter proposals were to be implemented. I might say at this point that I will be dealing later in this address with the matter of the recommendations of the Carter Commission insofar as the mining industry is concerned.

Over recent years we have strengthened the base for the expansion and diversification of the Company by a substantial increase in expenditures in the fields of exploration and research. In the last decade expenditures on exploration have quadrupled and those on research and development have doubled, and in 1967 \$10 million has been allocated for these activities.

In the field of research some promising technical developments are resulting from the applied research programs on lead and zinc which

we are undertaking at our Product Research Centre in Sheridan Park. One of these developments is an interesting new metal colouring process for which we have secured wide patent coverage and whose commercial prospects appear promising. Before you leave here today I hope you will examine the small display in the foyer which shows some of these newer developments.

In the field of exploration our main effort has continued to be directed towards the discovery and development of new Canadian mines, though international activity has been expanded in the United States, Western Europe, Australia and elsewhere. These activities outside of Canada represent about one-quarter of our present expenditures in mining exploration.

Mineral resources are the main foundation of the Company's operations. These assets are non-renewable and a continuing exploration effort is necessary to locate new resources to replace those consumed. With increasing world-wide demand exploration has become more essential and more expensive. Our overall policy may be summed up in the statement that Cominco is committed to an expanding program for the acquisition of mineral deposits either in Canada or elsewhere. It is our hope that sensible counsels will prevail in relation to the threat imposed on the mining industry by the Carter Report and that we shall be permitted to maintain our traditional emphasis on the development of Canada's mineral resources.

Shareholders will be aware of the recommendations of the Carter Royal Commission on Taxation and of certain proposals made in their report with respect to Federal taxation of the mining industry. Specifically the Carter Report has proposed the elimination of depletion allowances for mining companies and the elimination of the three-year tax exempt period for new mines.

The very important contribution of the mining industry to the economy of Canada is a well-known fact. However the exceptional business risks involved in the finding and development of mines and the high percentage of losses incurred is not generally realized by the Canadian public nor is it understood that the few highly successful mining companies, like Cominco, make very substantial and unique contributions to public funds in addition to their Federal income taxes. Successful mining companies pay very substantial Provincial income taxes and royalties which are not imposed on the manufacturing and service industries. At the municipal level the successful mining company, by the very nature of its operation in a frontier economy, absorbs both directly and indirectly a much greater proportion of the cost of maintaining active, healthy communities than its counterpart in the

urban centres. Finally, successful mining companies make an indirect contribution to employment in the manufacturing and ancillary industries which is probably unmatched by that from any other segment of our national economy.

The Carter Report admits the very important contribution of mining to the economy of Canada and also admits that the present Canadian Federal tax structure has been, in large part, responsible for this contribution. The significance of mining to Canada has been the envy of other countries with undeveloped mineral resources and it is noteworthy that within recent years many of them have increased the tax incentives for their mining industry. They have recognized that they must allow for the unusual risks involved in the development of mines if the maximum contribution to public funds is to be expected from such an important element of national wealth. In the face of these facts and of their own admissions the highly theoretical and doctrinaire arguments in the Carter Report advocating such extreme changes to the Federal mining tax structure betray a naive conception of the practical economics of the whole industry. Furthermore, the Report's assessment of the probable effects of the Commission's proposals on the national economy are so speculative and questionable that to anyone who has held a responsible position in the mining industry it is almost inconceivable that the Federal Government would implement these changes — changes which could only result in greatly reduced investment in exploration and mining, from both domestic and foreign sources.

Cominco, as a company, intends to do all it can by itself and through industrial associations to forestall any ill-considered action by the Federal Government on these impractical proposals — proposals which most certainly would retard the growth of mining in Canada.

Dealing now with the first three months of 1967, sales were \$58.0 million, and net earnings \$10.4 million. This compares with \$52.9 million sales and \$12.2 million net earnings for the similar period of 1966. Earnings from mining and metallurgical products were down, mainly because of lower metal prices. Our lead and zinc are well sold for the first half of 1967 and inventories of both metals are at satisfactory levels. Earnings from chemicals and fertilizers were up chiefly because of a higher sales volume resulting from the availability of increased production from new plants.

For the remainder of the current year we anticipate that net earnings will continue to be lower than in 1966, although production and sales will remain at a high level unless there is some unforeseen deterioration in world business.

Invitations have been sent to all shareholders to be our guests at the

Canadian Pacific-Cominco Pavilion at EXPO 67. This is a joint project between the two companies and is the largest corporate project at EXPO. A 20-minute, 6-screen film entitled "We Are Young", which is centred around Canadian youth, is being shown in the pavilion's main auditorium. In an adjoining exhibition building the visitor is made aware of the particular services and products of the two companies through their relationship to five successive sensory experiences.

Many applications of Cominco metals are used throughout the pavilion. Some are traditional but we are also using for the first time newly developed applications, such as the decorative metal colouring process which I previously mentioned.

In addition to our major participation in EXPO, Cominco is contributing to approved Centennial projects in communities in which substantial numbers of our employees reside.

This completes my report but if there are any points on which a shareholder would like further clarification I shall be pleased to answer questions after concluding the regular business of the meeting.

INTERIM CONSOLIDATED STATEMENT OF EARNINGS
(estimated and subject to year-end audit)

	Three months ended	
	<i>31st March, 1967</i>	<i>31st March, 1966</i>
	<i>Estimated</i>	<i>Actual</i>
Sales of all products	\$58,000,000	\$52,900,000
Earnings before the following items	\$19,700,000	\$22,200,000
<i>Add:</i>		
Income from investments . . .	300,000	300,000
	\$20,000,000	\$22,500,000
<i>Deduct:</i>		
Depreciation and depletion . .	4,200,000	3,700,000
Income and mining taxes . . .	2,700,000	5,100,000
Minority interest in net earnings of Pine Point	2,700,000	1,500,000
NET EARNINGS.	\$10,400,000	\$12,200,000
Net earnings per share	\$0.62	\$0.73

COMINCO LTD.



Report of the
62nd Annual Meeting
of Shareholders
Montreal, Quebec
25th April, 1968

Cominco Ltd.

The following is a brief report prepared for the benefit of shareholders who were unable to attend the 62nd Annual and General Meeting of Shareholders held at Montreal on the 25th April, 1968.

The meeting convened at noon at the Head Office of the Company, 31st Floor, 630 Dorchester Boulevard West, Montreal.

Mr. W. S. Kirkpatrick, Chairman and Chief Executive Officer, presided and the Secretary-Treasurer of the Company acted as Secretary of the meeting.

The Notice calling the meeting having been read by the Secretary, The Chairman advised that 13,160,974 shares were represented by proxy and 23,430 shares represented by shareholders present in person, composing 79.0% of the total shares outstanding.

On motion duly seconded and unanimously carried, the Directors' Report and Financial Statements for the year ended 31st December, 1967, as mailed to all shareholders, was approved and adopted.

Before proceeding to the election of directors, the Chairman advised that in accordance with Company policy with regard to the age limitation of directors, Mr. R. E. Stavert was not eligible for re-election. On behalf of the shareholders, directors and officers, he paid tribute to the long and valuable service and the many contributions Mr. Stavert made to the progress of the Company.

The following shareholders were then elected Directors of the Company for a term of two years :

G. H. Baillie
G. A. Hart
W. S. Kirkpatrick
D. D. Morris
S. E. Nixon
R. D. Perry
The Hon. James Sinclair

Messrs. Thorne, Gunn, Helliwell & Christenson, Chartered Accountants of Vancouver, B.C., were appointed auditors for the ensuing year.

During the question and answer period provided, no questions were asked and the meeting terminated.

At a meeting of the Board of Directors held immediately following the shareholders' meeting, Mr. W. S. Kirkpatrick was elected Chairman and Chief Executive Officer, Mr. R. Hendricks, President, Mr. N. R. Crump, Vice-President and Mr. R. D. Perry, Executive Vice-President.

The following were elected as the Executive Committee for the ensuing year :

N. R. Crump
R. Hendricks
W. S. Kirkpatrick
D. R. McMaster
R. D. Perry
I. D. Sinclair

The directors confirmed the appointment of S. M. Rothman as General Manager, Western Operations.

**Address to the Shareholders
at the
Annual Meeting, Montreal
April 25th, 1968
by W. S. Kirkpatrick
Chairman and Chief Executive Officer**

Copies of the 62nd Annual Report of the Directors of the Company covering the results for the last year were mailed to all shareholders on the 25th of March, and are also available to all present at this meeting.

This report gives the shareholders appropriate information on all the major aspects of the performance of the Company for the year 1967. Providing shareholders with important relevant information on their company in annual reports, over and above legal requirements, is subject to a wide diversity of opinion. We do not receive many comments on our form of presentation but consider any modifications requested. For instance, this year for the first time we included a ten year consolidated summary and have provided more information on ore grades at the various mining properties.

As our shareholders are aware, a high proportion of the Company's earnings is derived from the output of lead and zinc. The prices of these metals are not as volatile as they have been in the past, although they continue to fluctuate within a considerable range and the Company's earnings almost directly reflect these variations. In my address last year I mentioned the cyclical decline in world prices of lead and zinc that had taken place in 1966 and the impact of increasing costs throughout the Company. These trends persisted through 1967 and resulted in lower profit margins on the sale of all major products with the exception of silver. Therefore, in spite of a continued high volume of production and sales there was a marked drop in net earnings from those of the previous year.

In 1967 the quantity of metal mined by the Company was only slightly less than in the record year of 1966. Production of refined lead, while still not at capacity, was the highest in over twenty years but there was some curtailment in the production of refined zinc for inventory control purposes. Fertilizer production and sales were at an all-time high and accounted for approximately 30% of total sales revenue. The higher proportion of non-mining revenue for tax purposes in 1967 has resulted in a reduction of mineral profits to a level at which the depletion allowance applicable to the Company's dividends in the hands of the shareholders will be reduced from 20% to 15% for any dividends paid in July, 1968 and January, 1969.

Nearly two-thirds of the Company's revenue is obtained from foreign markets and hence Cominco is greatly affected by the economic situations and the fiscal and monetary policies of the major industrialized nations of the world. The various basic problems that confront many of these countries today with their relevance to international trade and to the Canadian economy will be familiar to our shareholders. In the face of so many uncertainties it is difficult to make any accurate predictions on the overall market situation for our products, nevertheless we do not foresee any major disruption in the international trade pattern of our business in the immediate future. We expect that in the current year plant operations, production and sales will continue at about the same levels as in 1967.

Dealing specifically with the markets for lead and zinc it is expected that world consumption of these metals in 1968 will increase over 1967. However, world production will also increase as a result of expanded production facilities and the resumption of United States production early this month after a strike of nearly nine months' duration. Some of this additional production will be absorbed into stocks, which have been at low levels recently, and we expect that production and consumption of both lead and zinc should be approximately in balance and prices should remain near current levels for the remainder of the year.

Looking further ahead we anticipate that consumption of both metals will continue to increase at a somewhat accelerated rate beyond 1968. However, for the next few years the industry, like many other basic industries, will have to accustom itself to the operation of its production facilities at less than capacity until rising consumption brings about a normal balance. We believe that the majority of the world's lead and zinc producers recognize this fact and are adjusting to meet the situation.

The highly competitive situation that has existed in the last few years throughout our fertilizer markets in the United States and Canada, arising mainly from new plant capacity, will continue during the current year. Nevertheless we anticipate that our position in both markets will be maintained and a modest increase in sales and earnings will result. In Western Canada we are strengthening our distribution organization, making it possible for dealers to improve customer service by offering a soil sampling program, custom blending and applications of fertilizers, on-farm storage and other services.

In considering the outlook for the current year an important factor will be the outcome of the present collective bargaining negotiations in which we are currently involved at our British Columbia operations. The Company will endeavour to reach a mutually satisfactory and reasonable settlement with due consideration to economic conditions generally and to those in our industry in particular. These negotiations cover labour agreements which expire at mid-year and which affect the majority of the unionized employees of Cominco and its subsidiaries. This is the first negotiation of collective agreements since the International Union of Mine, Mill and Smelter Workers (Canada), who have held collective bargaining rights for all our major operations in British Columbia since 1943, merged with the United Steelworkers of America in mid-1967.

Capital expenditures by the Company and its subsidiaries for the current year will be about the same as in 1967. At the beginning of 1968 committed capital expenditures stood at over sixty million dollars and much of this will be spent this year as all the major projects now underway should be completed or substantially completed by the year-end.

The largest capital project under construction is the Potash Division's operation in Saskatchewan where early in March a small ceremony marked the entry into the potash orebody some 3,500 feet below the surface. The sinking of two shafts to this depth through a difficult geological structure has been successfully completed and production is now planned for mid-1969, well ahead of schedule. Our entry into the potash market with our own product will come at a time of severe world over-production and abnormally low prices so this Division cannot be expected to make a significant addition to our net earnings in the first two or three years of operation.

Concerning other major projects, the start of production at the Magmont lead mine in Missouri which Cominco American owns jointly with Dresser Industries has been delayed due to labour problems and is not expected to be in full production until late this year. The Hill Chemicals project in which Cominco American has a 50% interest is on schedule and will deliver ammonia by early 1969 to our Nebraska fertilizer plant and other customers throughout the Midwest which is the largest nitrogen consuming area in the United States. The full output of this plant has been contracted at satisfactory prices. At Pine Point the development of the Pyramid orebody involving the removal of over nine million tons of waste material is on schedule and with the 3,000-ton addition to the Pine Point concentrator will be completed by the end of 1968. Construction at our mercury property at Pinchi Lake in British Columbia is on schedule and initial production is expected about the end of this year. Markets and prices for mercury continue to be strong and we foresee no difficulty in marketing the full output.

With reference to our exploration activities, generally speaking our present policy is to concentrate on growth and diversification in the mineral resources field. Expansion of lead and zinc resources continues to be an important objective of our exploration program; how-

ever, the primary emphasis is to develop a more diversified base and consequently the Company is active in the search for other minerals. Our expenditures on exploration and research continue at a high rate and for 1968 will be of the order of ten million dollars.

The Company holds an important position in Panarctic Oils Ltd. which is currently undertaking a seismic program in the Canadian Arctic Islands. Over a three year exploration period this company plans drilling a total of at least fifteen wells, the first of which should be spotted by the end of the year. Cominco holds a major position in Greenex, a Danish company, through a controlling interest in Vestgron Mines, a Canadian company. Greenex has been exploring a promising lead/zinc property in Greenland and discussions are currently being held with the Danish Government for development rights to continue exploration work.

As I stated earlier, our plan for this year forecasts production and sales at about the same levels as in 1967. The unaudited results for the first quarter of 1968 show sales at \$65.1 million and net earnings \$11.6 million compared to \$58 million in sales and \$10.4 million in earnings for the same period in 1967. These results reflect a substantial increase in metal sales and a corresponding reduction in our inventories to below normal levels due to the scarcity created by the prolonged strike in the United States to which I have referred. In spite of this better showing relative to the first quarter of last year, present indications are that net revenues for the full year of 1968 will be below 1967. The reasons for this expected decrease in earnings between the two years is due to the impact of higher costs, including interest, depreciation and increases in taxation at all levels of government and to the fact that Pine Point profits became taxable on March 1st of this year. As previously stated capital expenditures will be about the same as 1967 with the completion of the major projects by the year-end. Some contribution from these projects can be expected in 1969 earnings.

This completes my report, but if there are any points on which a shareholder would like further clarification I shall be pleased to answer questions after concluding the regular business of the meeting.

Interim Consolidated Statement of Earnings
(Estimated and subject to year-end audit)

	Three Months Ended	
	March 31, 1968	March 31, 1967
Sales of all products	<u>\$65,100,000</u>	<u>\$58,000,000</u>
Earnings before the following items	23,000,000	19,700,000
<i>Add:</i>		
Income from Investments	<u>700,000</u>	<u>300,000</u>
	23,700,000	20,000,000
<i>Deduct:</i>		
Depreciation and depletion	5,300,000	4,200,000
Income Taxes	3,500,000	2,700,000
Minority interest in net earnings of Pine Point	<u>3,300,000</u>	<u>2,700,000</u>
Net Earnings	<u>\$11,600,000</u>	<u>\$10,400,000</u>
Net Earnings per Share	\$0.70	\$0.62

